



## FISCAL MEMORANDUM

### SB 436 - HB 1135

March 11, 2023

**SUMMARY OF BILL AS AMENDED (005177):** Requires that members of the General Assembly who retire on or after November 5, 2024, with 10 or more years of service, receive a minimum allowance of \$1,440 multiplied by the number of years of creditable service. Requires on July 1, 2025, and on each July 1 thereafter, for the minimum retirement allowance to be adjusted to existing cost-of-living provisions until the person has been retired from the retirement system for 12 months on the next July 1 following the December 31 as of which the adjustment is determined. Allows beneficiaries to elect to receive less than the amount the beneficiary is otherwise entitled to receive if desired, provided that the election is in writing and irrevocable.

Allows eligible members of the General Assembly under the Hybrid Benefit Plan to receive a defined benefit of \$70.00 per month for each year of creditable service, adjusted on July 1, 2025, and on each July thereafter pursuant to existing cost-of-living provisions.

### ESTIMATED FISCAL IMPACT OF BILL AS AMENDED:

**Increase State Expenditures – \$2,346,400/FY23-24**

**Increase Federal Expenditures – \$782,100/FY23-24**

Assumptions for the bill as amended:

- Based on information from the Tennessee Consolidated Retirement System (TCRS), the proposed legislation will require a lump sum expenditure in the first year following the passage of the proposed legislation.
- Based on information provided by TCRS, the minimum benefit amount will be \$103.62 for the Legacy Plan and \$67.55 for the Hybrid Plan after November 2024, if no new changes are made; therefore, the percentage increase in benefits for the Legacy Plan will be 15.81 percent  $\{[(\$1,440/12) - \$103.62] / \$103.62\}$ , and the percentage increase in benefits for the Hybrid Plan will be 3.63 percent  $[(\$70 - \$67.55) / \$67.55]$  as a result of the proposed legislation.
- The present value of Legacy Plan benefits for members impacted by this legislation, as of June 30, 2022, is \$22,200,000 and will be approximately \$25,709,820  $(\$22,200,000 \times 115.81\%)$ ; therefore, the increase in the present value of benefits for the Legacy Plan will be \$3,509,820  $(\$25,709,820 - \$22,200,000)$ .

- Based on information provided by TCRS, to account for only members with ten or more years of service being qualified for the defined benefit of \$70.00 per month for each year of creditable service, the increase in the present value of benefits for the Legacy Plan will be 85 percent of the calculated amount; therefore, the increase in the present value of benefits for the Legacy Plan will be \$2,983,347 ( $\$3,509,820 \times 85\%$ ) as a result of the proposed legislation.
- The present value of Hybrid Plan benefits, as of June 30, 2022, is \$4,000,000 and will be approximately \$4,145,200 ( $\$4,000,000 \times 103.63\%$ ) as a result of the proposed legislation; therefore, the increase in the present value of benefits for the Hybrid Plan will be \$145,200 ( $\$4,145,200 - \$4,000,000$ ).
- The total increase of liability to the pension system from eligible General Assembly members is estimated to be \$3,128,547 ( $\$2,983,347 + \$145,200$ ).
- Based on information provided by TCRS, the cost for eligible General Assembly members is to be paid during FY23-24.
- Retirement benefits for General Assembly members are funded 75 percent with state funds and 25 percent with federal funds.
- The total one-time increase in state expenditures in FY23-24 for eligible General Assembly members is estimated to be \$2,346,410 ( $\$3,128,547 \times 75\%$ ) in FY23-24.
- The total one-time increase in federal expenditures in FY23-24 for eligible General Assembly members is estimated to be \$782,137 ( $\$3,128,547 \times 25\%$ ) in FY23-24.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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